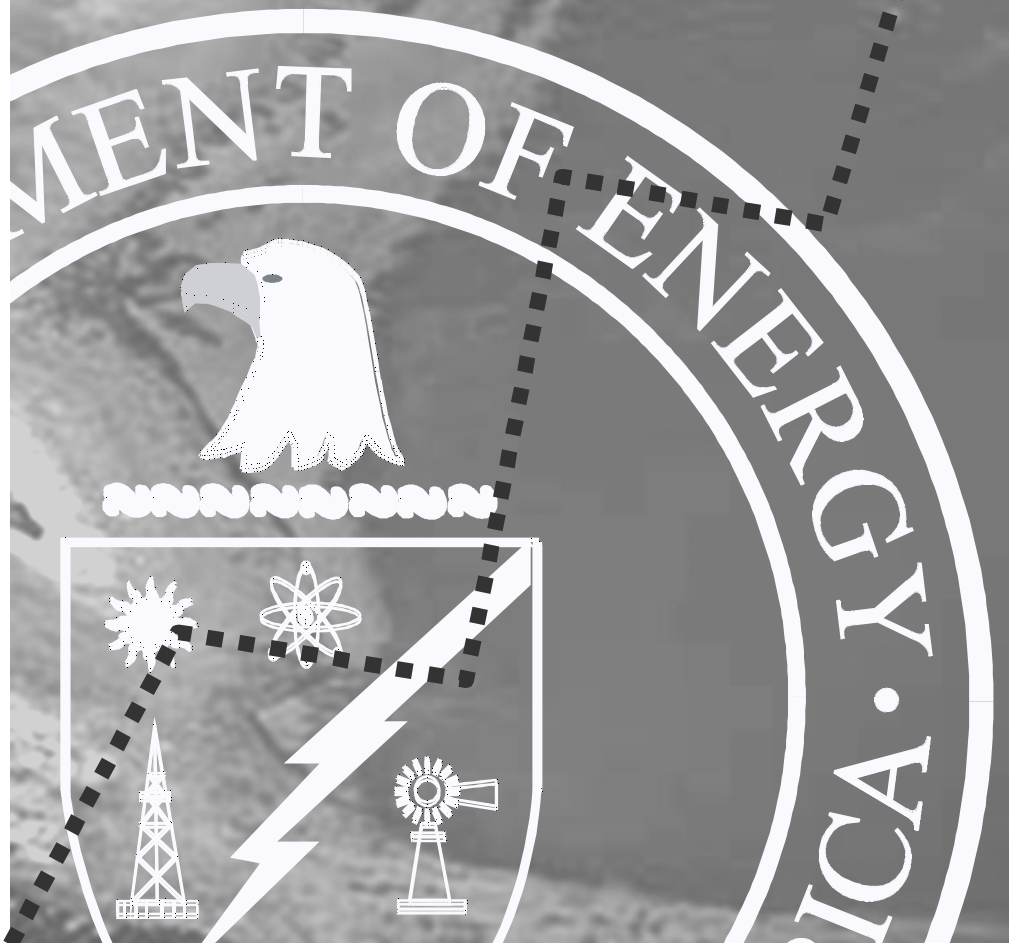


U.S. Department of Energy

Office of Management, Budget and Evaluation

Closeout



Initiated by: Office of Engineering and Construction Management

CLOSEOUT

Project Closeout is a mandatory activity for all DOE projects. For various reasons, however, closeout is frequently underfunded, understaffed, and (understandably) not well planned or performed. The following sections describe an acceptable process for satisfactorily closing a DOE project. Project closeout activities should be as carefully planned and executed as any other project activity.

1.0 OVERVIEW

The project closeout process provides information about project completion, including transition, physical, financial and regulatory closeout. Each project is to issue a transition/closeout planning document that provides the basis for attaining closeout and obtaining Critical Decision-4 approval. In addition, once all costs are incurred against the project with all invoices and contracts closed, each project should, at the direction of the DOE, prepare a project closeout report following the approval of Critical Division-4, Approve Start of Operations or Project Closeout.

The DOE project transition, closeout, and termination processes should be applied to all DOE projects. The processes described can apply to completed projects, or to a portion of a project if it functions independently of other portions of the project. Partial closeout of a project is appropriate and can help the Department maintain more accurate project, financial, and property records. In all cases, however, closeout should be planned well in advance, including adequate funding and staffing, and a realistic, resource-loaded schedule.

Closing a project is a time of emotional—and user—satisfaction. However, even when a project is well done, one should recognize that it is really not quite finished. Project closeout is the time to perform the necessary steps to ensure that customer, user, and project team members and contractors are treated properly, and to complete (close) all loose ends on the project.

Closeout can be a quick or protracted time for a project. In the event the PD/PM is reassigned prior to final project completion, a project closeout manager should be designated. If not included in the Project Execution Plan (PEP), a plan for demobilizing the work force and dispositioning the physical assets should be prepared and executed. Turnover to and acceptance by the user (often an operations organization) should be documented and appropriately signed off.

The PD/PM should maintain the records and correspondence file for project documentation until the contract is officially closed, or as long as deemed necessary by project requirements.

This system of records should be adequate to allow a competent person to respond to inquiries, questions, and claims even though that person was not part of the original project team. Closeout is an activity of concern and should receive sufficient attention to ensure it is accomplished in a timely, effective, and acceptable manner. Particular attention should be given to completion reports that provided the basis for fee performance or payments. If deemed appropriate, a third party could provide a review and assessment of the adequacy of closeout records prior to demobilizing the project team.

In all cases, the key to a successful project closeout effort is early, thorough, long-range planning, including cost schedule, resource, and documentation requirements. A second key to success is involving the user organization throughout the closeout process so that the user organization is party to and in agreement with the closeout process and the associated deliverables. Agreements between project and user should be documented, preferably with memorandums of understanding.

One of the more important steps in the project closeout process is transferring responsibility from the project organization to the user organization. This final step should be documented through a memorandum of understanding or similar agreement signed by authorized persons from each organization. This document should identify any remaining open commitments along with a responsible individual and completion date. This document is somewhat different from a closeout report in that it is specifically directed towards a shift in responsibility from the project to the user, and documents that action. This agreement documents the acceptance of project deliverables by the user. If desired, this agreement may be supplemented by an acceptance walk-down involving the two responsible individuals/organizations.

2.0 TRANSITION PLANNING

Moving a project from the Execution phase to user acceptance or long-term care status requires that technical and administrative matters be addressed during earlier phases of the project. As early in the project as feasible, preferably before preliminary design, the PD/PM should initiate planning for and development of a plan and the associated documentation necessary to transition the project to the user. The transition plan could include identification of system tests and development of test procedures, checklists, operating and maintenance manuals and procedures, as-built drawings, and the procurement of materials and supplies required for initial facility operation. Planning should be developed in cooperation with the user to ensure complete mutual understanding and agreement, and to avoid inadvertent omission of important closeout activities. Normally, the project transition plan is prepared by the contractor under DOE guidance. Depending upon the type of project and the end use of the project deliverables, a transition plan typically includes:

- Specific roles and responsibilities of the DOE, the contractor, and the user. Responsibilities will vary depending on the type of project, but could include the following:
 - Operations startup safety
 - Training of user personnel
 - Site support: utilities, security, other
 - Early preventative maintenance
 - Sustained engineering support
 - Initial inventory of startup chemicals and supplies
 - Spare parts/components inventory
 - Operational testing and necessary corrective actions
 - Collection, treatment, packaging and disposal of construction, testing, and startup wastes
 - Specialized vendor support for unique equipment operating/maintenance requirements
 - Authority for releasing contractors.
- A resource plan addressing the phaseout of personnel whose expertise is not required for transition, operations, or maintenance. However, consideration should be given to retaining or obtaining specialized skills needed for transition, such as testing, startup, property management, contracting, claims.
- A comprehensive, resource-loaded, time-phased transition schedule having frequent measurable milestones
- Turnover and acceptance procedures
- A list of permits or licenses required for facility use, as well as the status of and responsibility for each
- Operational testing, which can include:
 - Identification of functional and integrated systems tests
 - Identification and training of test teams
 - Development of accept/reject test criteria
 - A method for documenting test results and resolving (including funding) design problems and component or system failures

- A punch list of open items to be completed prior to closeout, including responsible individuals, completion dates, and estimated resource needs.

3.0 PROJECT TURNOVER/ACCEPTANCE

For some projects, facility operation follows completion of the project. When, following completion of construction, the project begins transition activities leading to facility operation; the PD/PM should maintain responsibility for project functions so that issues that arise concerning the project can be addressed. The PD/PM should also work closely with the user to complete acceptance testing and startup in accordance with planning documentation developed during the project's Execution phase. As previously planned, either the user or project organization is responsible for performing tests and evaluations to ensure the project can be safely operated as designed and built. If a cold operation (integrated facility test) is planned, the responsibility for this activity could be either the project or the user, depending upon prior agreements.

During transition, the user organization normally accepts beneficial occupancy of the facility and assumes ownership of project documentation. Typically, documentation transferred from the project organization to the user organization would include:

- Environmental and safety
- Design basis
- Construction drawings and specifications (including as-builts), essential design calculations, and proof of performance
- Configuration management documents
- Facility, equipment, and system operating and maintenance manuals, vendor data, project records, and other test results information relevant to continued operation and maintenance activities.

The user manager or PM normally prepares and submits acceptance completion documentation to support Critical Decision-4, which occurs before operations begin or decommissioning/remediation activities are complete. This documentation indicates that technical performance has been demonstrated as acceptable and no further transition activities are necessary, and that the user accepts the project's deliverables as defined in project baseline documents. The acceptance phase concludes with documented acceptance of the project by the user organization. Figure 1 depicts the sequence of primary activities/events leading to project closeout.

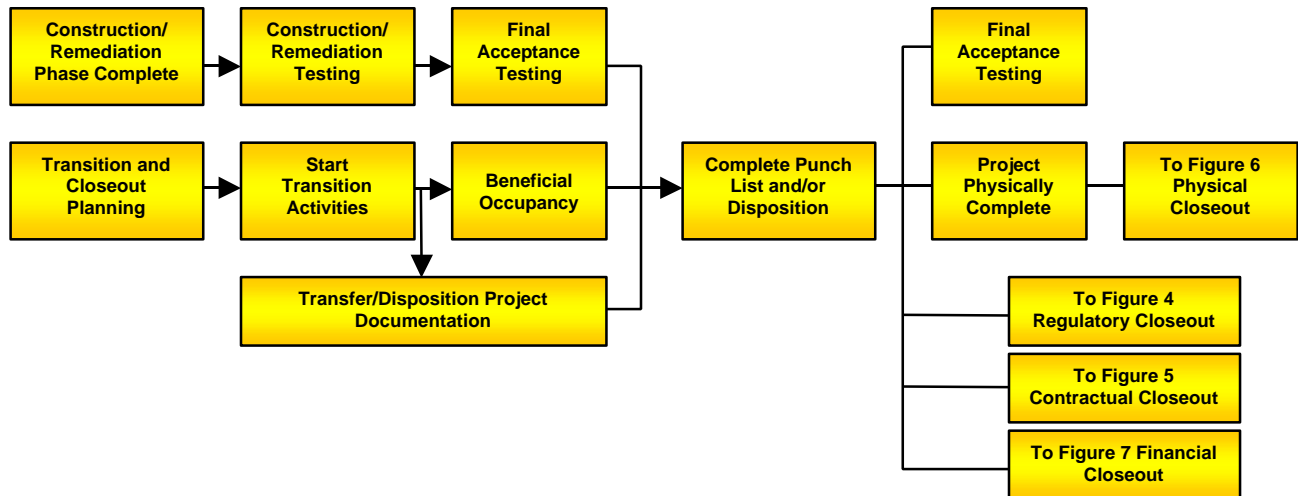


Figure 1. Overall Project Transition and Closeout Flow

4.0 PROJECT CLOSEOUT

A project is ready for closeout once it has been successfully transitioned from the project organization and accepted by the user organization.

Project closeout begins at beneficial occupancy or project termination, and is complete after all physical, regulatory, contractual, and financial closeout activities are complete. Typically, the DOE allows the contractor up to six months on smaller projects and twelve months on larger projects, following project completion (Critical Decision-4), to prepare the Final Cost Report. The Final Cost Report includes total project costs-to-date and cost estimates for any work remaining. The Final Cost Report should also include accruals and estimates for outstanding claims, if applicable. Timely submission of the final cost report will facilitate removal of completed projects from the DOE financial reporting system. Obligations other than those identified in the Final Cost Report are de-obligated and returned to the Director of Office of Management Budget and Evaluation (OMBE)/Chief Financial Officer (CFO).

4.1 Critical Decision-4 Decision/Closeout Certification Statement

Not later than 15 days following Critical Decision-4 approval of any project, the Acquisition Executive (AE) submits a Critical Decision-4 decision/certification statement to the DOE OMBE/CFO together with the initial Project Closeout Report (Section 4.2). The Critical Decision-4 decision statement contains the signatures of the AE and the appropriate senior officials representing the offices of project management, contract management, and fiscal management for the project. The Critical Decision-4 decision statement includes the following:

“I hereby certify that project (insert name, number, and location) is physically complete, approved for operation, and approved to begin the project closeout process. I appoint (insert name) as the Project Closeout Manager. I shall return any unused project funds to the Director of OMBE/CFO within 36 months from this date or within 30 days from the date of contract closure, whichever date is sooner, and consistent with contract closure timeframe requirements contained in Federal Acquisition Regulations. At that time, I shall submit a project closeout certification statement to the Director of OMBE/CFO in accordance with DOE Order 413.3. I shall provide quarterly project closeout reports to the Director of OMBE/CFO in accordance with DOE Order 413.3 and Manual, including the initial report herewith.”

4.2 Project Closeout Reports

The AE for the project prepares and submits to the Director of OMBE/CFO a closeout report for the preceding quarter, no later than the 15th day of the first quarter (January, April, July, October), following submission of the initial Project Closeout Report, and within 15 days of the beginning of each quarter thereafter—until a project is closed. This closeout report covers the status of all associated accounts, contracts, and activities of each project being closed. The report for each project includes:

- Signatures of the appropriate senior officials for the project with responsibility and authority for project management, contract management, regulatory management, and fiscal management.
- Submission of the “Project Closeout Report” shown in Table 1.
- A detailed analytical assessment of the overall closure status addressing, at a minimum, the physical, contractual, regulatory and fiscal position of the project.
- A detailed analytical assessment of project closeout performance in accordance with performance goals and measures described in Section 9.3 for the closeout processes involving physical, contractual, regulatory, and financial activities.

The Director of OMBE/CFO places all unused project funds into the “Project Overrun Reserve” for use in resolving any remaining costs associated with DOE projects. All requests for funds from this account are submitted in writing to the Director of OMBE/CFO, and include the following information:

- Description of the problem, underlying causes of the problem, options to correct the problem, and the preferred alternative to correct the problem.
- Explanation of the physical, contractual, regulatory, and financial status of the project within the context of the approved project plans pursuant to DOE Order 413.3.
- The Director of OMBE/CFO approves such requests in writing.

A detailed breakdown of the amount of funds being requested, the purpose of the funds, and the funding schedule.

Table 1. Project Closure Report

Project Title:	Contractor Reference Number:	DOE Reference Number:
Project Purpose and Scope:		
Project Original Baseline Plan	Completion Cost	Completion Date
Project Final Completion Baseline		
Discussion of Issues/Costs/Technical:		
Key Learning Points and Recommendations:		
Actions Assigned, if any:		
Project Manager: _____		
Report Review, if any		
Date		Signature

4.3 Report to Congress

Beginning with Fiscal Year 2003, and for each fiscal year thereafter, the Secretary of Energy prepares and submits to the Director of the Office of Management and Budget, as part of each fiscal year budget request and in compliance with the statutory schedules for Title IV, Financial Management, The Government Management Reform Action of 1994, an audited financial statement for all projects (hereinafter referred to as “capital assets”) for the preceding fiscal year. This financial statement covers all associated accounts of each office, and activity of the Department. The audited financial statement reflects the overall financial position of the project covered by the statement, including assets and liabilities as compared to the original approved baseline cost, total estimated cost and total project cost. Financial data is derived from the DOE automated financial management systems.

Beginning in Fiscal Year 2002, at the time of submission of the annual budget request to Congress, the Secretary of Energy submits to the appropriate committees of the House of Representatives and the Senate, an annual Capital Asset Report (hereinafter referred to as the “report”) which sets forth: (1) the status and condition of each capital asset or project; (2) the historical fiscal profile of each project within the preceding fiscal year, beginning with the initial appropriation to the point of closure as compared to the original and estimated total project cost; (3) a critical assessment of the project performance, including performance measures; and (4) the findings with respect to the efficacy of all projects in achieving performance, schedule and cost, and an explanation of variances together with an assessment plan to overcome such variances in the future, including measuring progress. The report should demonstrate performance and accountability using performance measures for goals and objectives. This includes performance-based capital asset budgets by integrating performance criteria into the budget process in accordance with criteria established by the Director of the OMB pursuant to Title V, the Federal Acquisition Streamlining Act of 1994 and the Government Performance and Results Act of 1993 (GPRA).

The report includes a validation statement the DOE has developed for each capital asset—an integrated management plan with sufficient detail on the integrated responsibility and authority throughout the DOE system for a given project. The plan describes procedures for establishing changes in project design and execution. The main issues addressed by the integrated management plan should involve system engineering and concurrent engineering principles and their application.

5.0 THE INTEGRATED PROJECT CLOSEOUT PROCESS

Figure 2 illustrates the integrated process for closing a project (see Section 9.3 for performance goals and measures). This process begins with activities prior to Critical Decision (Critical Decision-4) and continues with a Critical Decision-4 Decision Statement by the AE approving Critical Decision-4 to allow project closeout and start of operation. Such activities occur at the

Field Office and may include, but are not limited, to acceptance of the facility, beneficial occupancy, release of the construction contractor, transition to operations, permits to operate, granting of an operational license, and completing corrective actions. The project is closed when the four closeout processes are completed; namely physical, contractual, regulatory and financial, and the Director of OMBE/CFO removes the project from the inactive list.

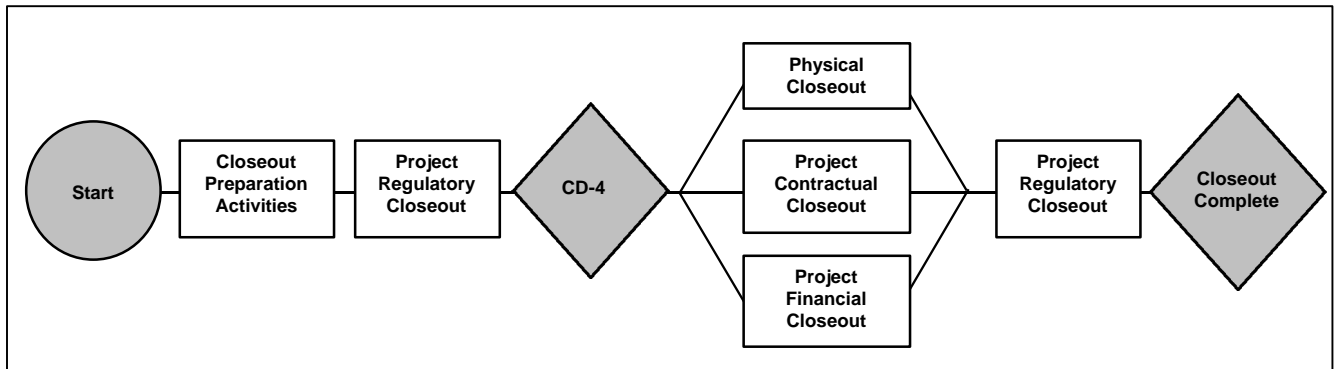


Figure 2. Project Closeout Level-0 Logic

5.1 Determinining the Start of Closeout

The decision to close a project may be made by the PD, AE, Senior Acquisition Executive, or other senior Administration official. Normally, the PD determines that the project has met project goals and objectives, has been successfully completed, and the focus can shift to those activities necessary to close the project. Such activities typically involve one of the following three categories:

- For construction projects, the starting point for project closeout is beneficial occupancy.
- For environmental remediation projects, the equivalent point is completion of waste-site remediation and turnover of the land for alternative use or long-term stewardship.
- For disposition projects, project closeout starts when disposition is complete, and the facility is ready to be turned over for alternative-uses, long-term stewardship, or surveillance.

5.2 Closeout Preparation Activities

Following the decision to close a project, the PD begins project closeout planning and prepares the documentation for Critical Decision-4. At this point, all physical activities should be complete, contract deliverables met, regulatory compliance issues resolved, and only approved exceptions remain on the punch list.

6.0 THE DECISION PROCESS

Within 60 days following determination by the PD that the project is ready for beneficial occupancy—ready to be turned over for long-term stewardship or alternative use and completion of closeout preparation activities—a Critical Decision-4 decision memorandum is prepared for the AE using the Critical Decision-4 checklist shown in Table 2. The decision memorandum contains sufficient information to enable the AE to determine whether to proceed with closing the project, including designation of a Closeout Manager. Some elements of the checklist may apply to only a specific type of project (e.g., construction or environmental restoration), and tailoring should be applied to this process.

For construction projects, the process includes an Operational Readiness Review and acceptance report and any documentation required for transition to operations, including facility/real property turnover, permits, etc. For environmental projects, it includes copies of all documents verifying compliance with regulatory requirements at the site.

Table 2. The Critical Decision-4 Checklist

1. Mission Need Satisfied
2. PD Certification of Work Complete Statement
3. Required Permits, Licenses, and Regulatory Approvals
4. Verification that Product Specifications are Met
5. Initial Lessons Learned Captured
6. Operational Readiness Review Complete
7. As-Built Drawings Prepared
8. Final Safety Report Issued
9. Test and Check Out Complete
10. Turnover and Startup Plan Prepared
11. Decontamination and Decommissioning Plan Prepared
12. Demobilization Plan Prepared
13. Draft Final Cost Report (capital costs) Prepared
14. Project Final Closeout Plan (include designation of Closeout Manager) Prepared
15. Outstanding Claims, Disputes, or Expected Audits Resolved
16. Project Closeout Report Prepared (Table 1)
17. Acquisition Executive Closure Certification Statement Prepared

7.0 THE IMPLEMENTATION PROCESS (PHYSICAL, CONTRACTUAL, REGULATORY, AND FINANCIAL CLOSEOUT)

Figure 3 shows a more detailed view of Figure 2 regarding project/closeout by illustrating the relationship among the physical, contractual, and financial closeout processes for major activities among Headquarters, the Field Office, and contractors. Figure 3 shows expected paths. However, variations may occur among sites and for different projects. Since regulatory closure is not applicable to all projects, it has not been included in Figure 3.

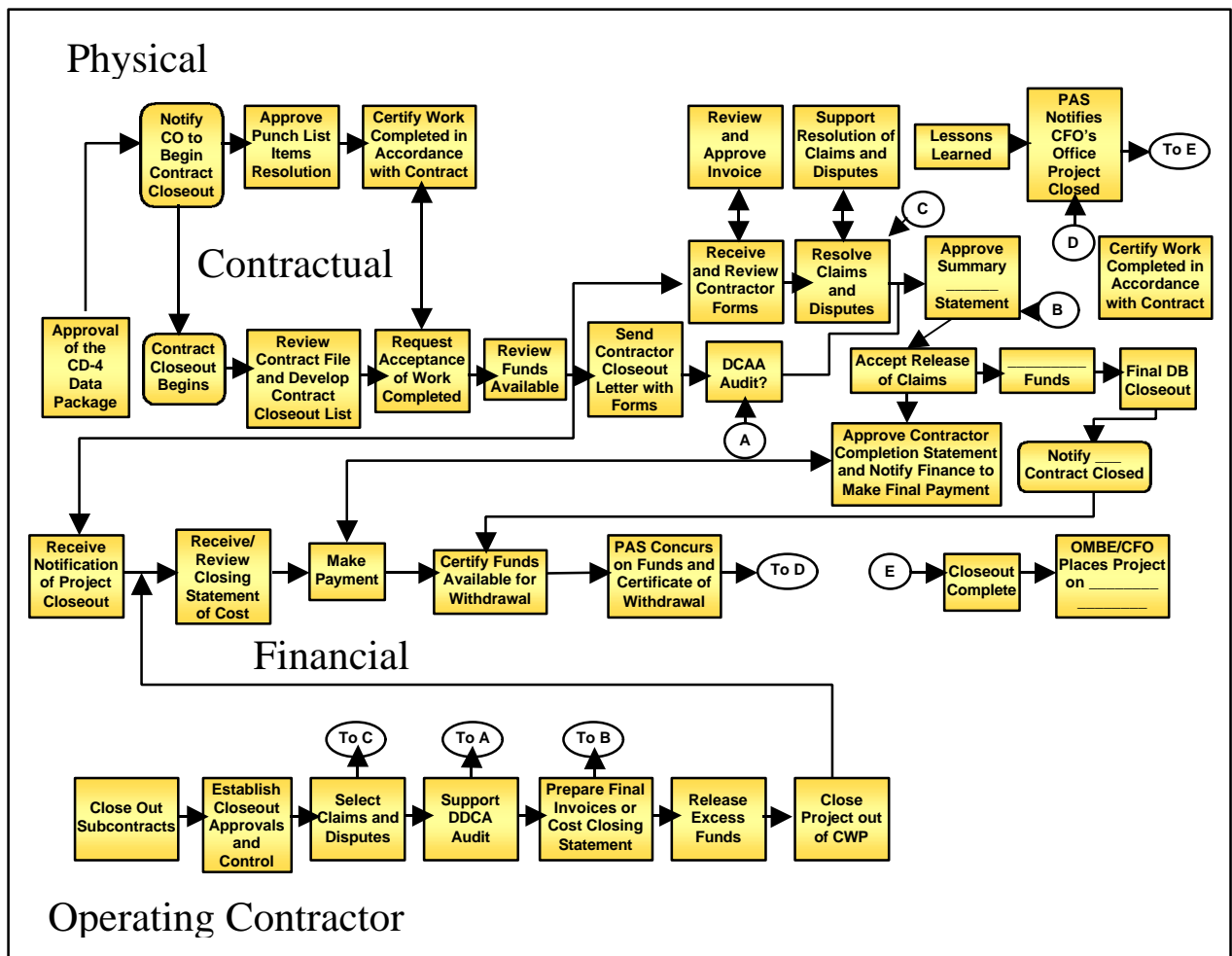


Figure 3. Closeout Relationships

7.1 Physical Closeout

Physical project closeout (Figure 4) consists of activities remaining after the user accepts the project. The PD/PM completes post-acceptance activities and requests project closeout approval from DOE. Activities associated with physical project closeout include:

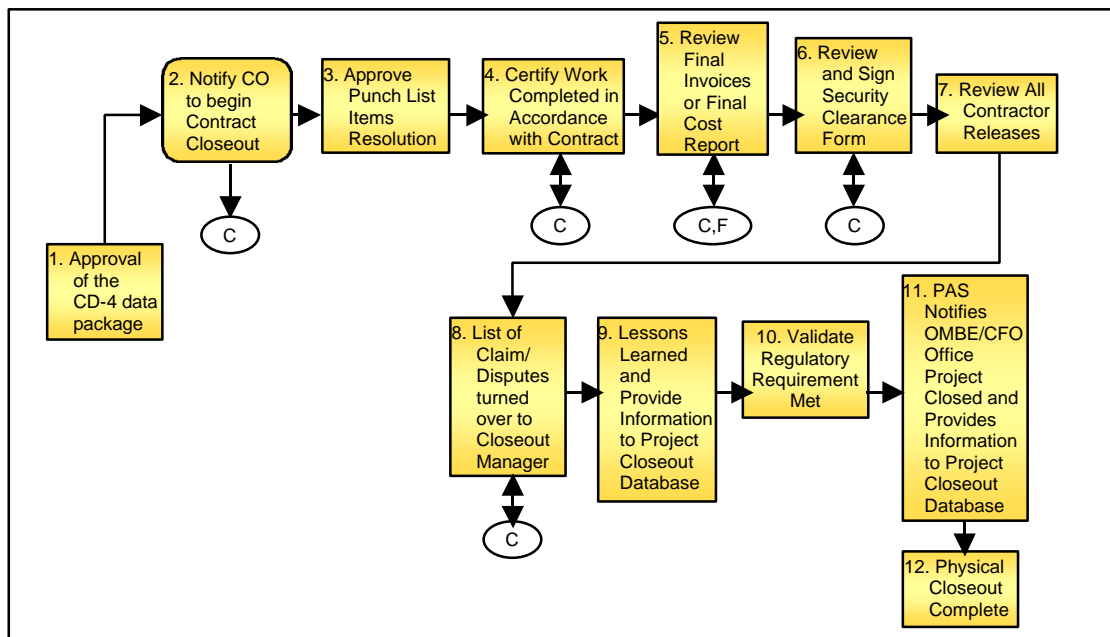


Figure 4. Physical Closeout Process

- When completion criteria are established, preferably in the PEP, the PD/PM should review each criterion and provide a written determination as to satisfactory completion.
- All turnover punch list items should be reviewed and documented to ensure they have been completed to the satisfaction of the project and user organization. Uncompleted punch list items should receive the PD's/PM's immediate attention to facilitate closeout, including assigning a responsible individual to each item along with a completion schedule and date, and budget. Punch list closeout will, in most circumstances, hasten the release of the construction contractor.
- Excess material and equipment should be identified, retrieved from subcontractors, and dispositioned in accordance with DOE property disposition regulations. Disposing of excess material or equipment can also entail adjustments to capital equipment accounts.
- All purchase orders should be closed. If a purchase order cannot be closed, the PD/PM should open a single account to deal with residual outstanding obligations.
- Outstanding obligations should be identified and described in the Final Cost report.
- A Project Closeout Report (Table 1) is prepared.
- An Occupancy Checklist (Table 3) should be prepared and used to accelerate the transition process. This table is for illustration only and, when completed, should include entries for all systems.
- All remaining project control accounts, except those for outstanding obligations, should be closed to ensure additional charges are not accepted

- A project lessons learned report should be completed and provided to the DOE.

The PD should review the request for project closeout for approval, along with necessary supporting documentation. At that time, the PD should determine (and may conduct an independent inquiry) that all actions have been satisfactorily completed.

Table 3. Occupancy Checklist

Goal: Ensure that at least the minimum building, life safety, and security conditions exist prior to moving personnel into a new facility or operate new equipment and systems, and to make an informed management decision on whether or not to occupy.

Priority Level 1 = Must be completed prior to occupying the facility for life safety, fire protection, security, and other mandatory ES&H requirements.

Priority Level 2 = Must be completed prior commencing operations.

Priority Level 3 = These items can be completed after the facility is occupied and after initiating operation.

Instructions: The responsible individual will date and initial when each item is functional. Outstanding punch list items may be corrected later.

Item	System Support	System Description	Priority	Example Concerns	Architectural Inspector	Mechanical Inspector	Electrical Inspector	Customer Rep	Notification Contact	Issues/Concerns and Associated Risk (for assessment)
1	Building	Bldg Structure	1A	Any structural concerns?	X				CME	
2	Building	Emergency Egress	1A	Paving concrete walkways in a place for exterior egress routes?	X				Incident Commander	
3	Building	Fire Detection and Alarm	1A	Building fire detection and alarm system installed and operational?			X		Fire Protection Engineer	
4	Building	Fire Response Access	1A	Fire fighting systems in place, including connections, hydrants, and standpipes?		X			Incident Commander	
5	Building	Lighting	1A	Emergency Lighting System Installed and operational? Inverters purchased?			X		OMB	
6	Building	Lighting	1A	Interior lights operational?			X		CME	
7	Building	Power Distribution	1A	Building power installed, tested and operational?			X		CME	
8	Building	Access Control	1B	Exterior doors re-keyed?	X				Security	
9	Building	Domestic Water	1B	Domestic water system installed, tested, and operational? Lines sanitized?		X			CME	
10	Building	Fencing, Gates	1B	Required security fences, gate in place to support customer operations?	X				Security	
11	Building	Fire Protection	1B	Fire department notified that new building is on system?		X			Incident Commander	
12	Building	Fire Protection	1B	Dedicated telephone line installed, tested, and operational?			X		Fire Protection Engineer	
13	Building	Fire Protection	1B	Building fire suppressions system installed and operational?		X			Fire Protection Engineer	
14	Building	Restrooms	1B	Restrooms stocked with supplies and services scheduled to support occupancy?	X				Custodial Services	
15	Building	Sanitary Sewer	1B	Sanitary sewer system installed, tested and operational?		X			CME	
16	Building	Emergency Response	1C	Vehicle access routes available to support response of emergency vehicles?	X				Incident Commander	
17	Building	Fire Protection	1C	Fire extinguishers in place?		X			Incident Commander	
18	Building	Lighting	1C	Exterior lights and parking light operational?			X		CME	
19	Building	Compressed Air	2A	HVAC pneumatic control system installed, tested, and operational?		X			CME	
20	Building	Exhaust System	2A	Fans operational and filters (HEPA) in place?		X			CME	
21	Building	Emergency Supplies	1A	Available, identified, labeled, signage, warning lights	X				Incident Commander	
22	Building	Emergency Showers & Eye Wash Stations	1A	Installed, operable, signage, water collection/disposal system	X				Incident Commander	

7.2 Contractual Closeout

Contractual closeout includes each project contract and subcontract. To implement and complete this activity, each project contract/subcontract is identified (including the contracting parties) and statused, the contract value is identified, and the terms and conditions defined. The contract status should include any incomplete deliverables (including data submittals); terms, conditions, and dates for obtaining remaining deliverables; real and potential claims; pending and any ongoing legal actions; warranties made as part of the contract; and any other information that might prove useful to the user organization in relation to legal, contractual, warranty, or deliverables. Figure 5 illustrates the contractual closeout process.

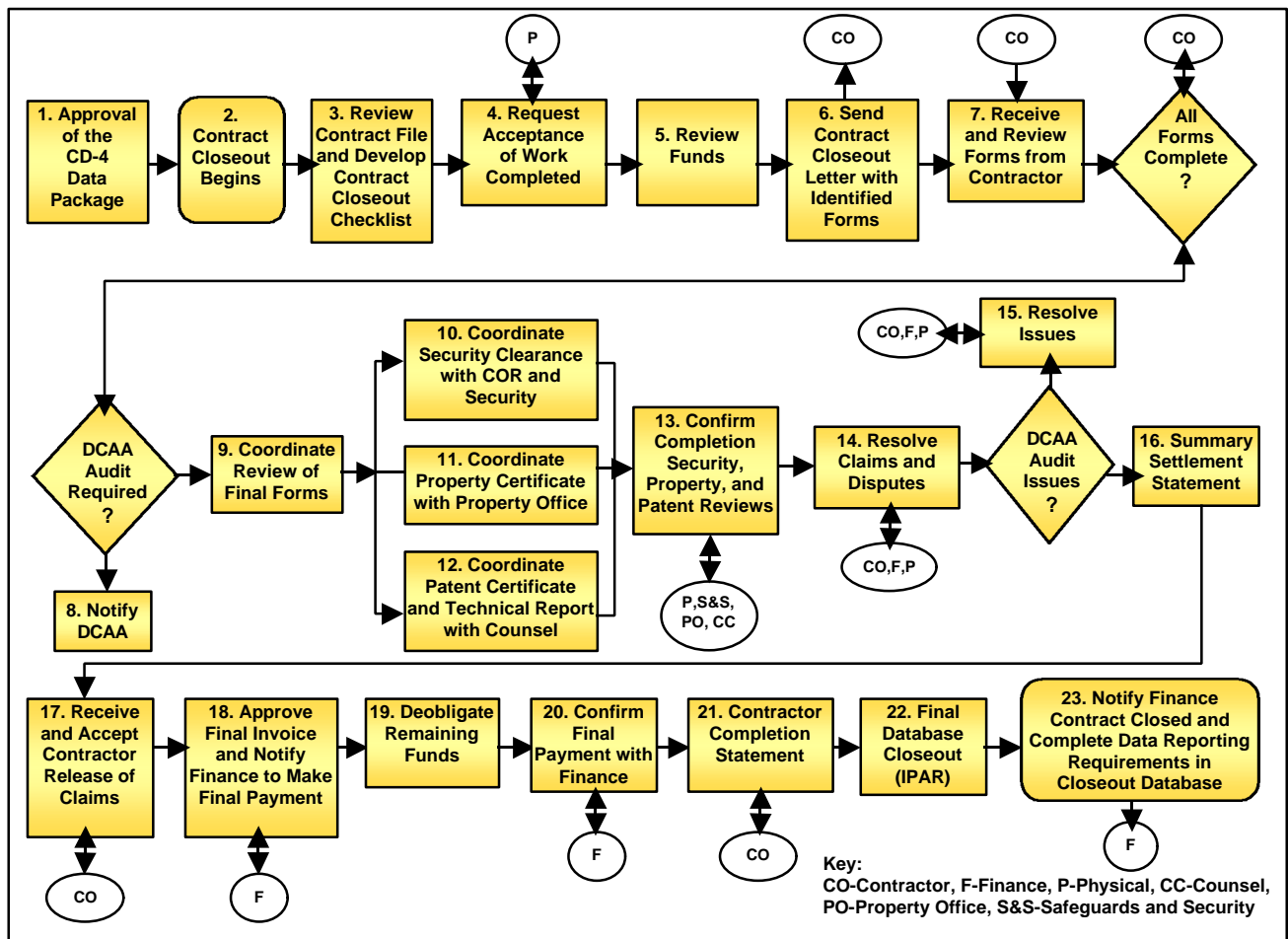


Figure 5. Contractual Closeout Process

The steps in this process include the following:

- Critical Decision-4 Decision Statement approval marks the beginning of project closeout
- Contract Closeout Begins

- *Contracting Officer Reviews Contract File.* Contract closeout starts with a review of the file and preparation of a contract-closeout checklist. The contract closeout checklist for a cost-reimbursement contract will be similar to Table 2; i.e., deliverables-oriented.
- *Acceptance of Work.* The Acceptance of Work Statement signifies official acceptance of deliverables and other reporting requirements on behalf of the Government. The Contracting Officer Technical Representative should provide this documentation.
- *Complete Funds Review.* A review of funds obligated to the award instrument, payments made to the awardee, and pending invoices should be made before transmitting the contract closeout request letter and forms package. Amounts should be compared to running balances included on the awardee's invoice/voucher and against award documents.
- *Contractor Closeout Request Letter and Forms.* The completion letter is used to notify the awardee of the closeout process and transmit forms for awardee completion. If any reporting requirements are unsatisfied at the time of completion, those reports should be requested in this letter. This is required for all closeout actions.
- *Review Contractor Forms.* All forms transmitted with the completion letter are to be properly filled out and returned before completing further closeout milestones. The contractor's completed forms are reviewed as soon after receipt as possible, and incomplete or missing information is questioned.
- *Obtain Audit or Audit Waiver.* An audit should be performed as soon as possible in the closeout process, since this is a time-consuming step and is often delayed due to audit workload, processing time, and priority level. The decision to waive a final audit should be determined on a case-by-case basis. The Government's financial interests should be sufficiently protected. An audit is required when quick closeout procedures do not apply (See FAR 42.708). An audit is not required when a waiver has been issued.
- *Coordinate Review of Final Forms.* When final forms are received from the contractor, contract personnel coordinate the review with the appropriate individuals.
- *Security Clearance.* Pursuant to DOE Order 471.1, the procurement request initiator is responsible for initiating the closing Contract Security Classification Specification, DOE Form 5634.2, along with a Certificate of Non-Possession. The Certificate of Non-Possession is coordinated with the contractor. The contractor may need to continue all or some access authorizations for work on other contracts. This should be noted on the forms. The Contracting Officer (CO) completes, signs, and sends the closing DOE Form 5634.2 and Certificate of Non-Possession to Procurement for their signature on both items. These two documents are then sent to security for the contract to be deleted from the Safeguards and Security Information Management System. A completed DOE Form 5634.2 and a Certificate of Non-Possession are required for the prime contractor and each subcontractor. The Security Information Management System won't allow deletion of a prime contractor

without first deleting its subcontracts. Further details on these procedures are found in DOE Manual 471.2-1B.

- *Property Certificate (Coordination).* A Property Certificate, when applicable, is forwarded for execution by the contractor as an attachment to the closeout letter. The Property Certificate is coordinated with the Property Office. If there is property requiring disposition, the Property Office works with the contractor to take appropriate action and advise when complete.
- *Patent Certificate and Receipt of Technical Reports (Coordination).* A Patent Certificate, when applicable, is forwarded for contractor execution as an attachment to the closeout letter. The Patent Certificate is coordinated with Counsel. For contracts with technical or scientific report requirements, the forwarding of Office of Scientific and Technical Information designated reports is checked using the DOE Energy Link System at <http://fwww.osti.gov/elink/>
- *Confirm Completion of Security, Property, and Patent Reviews and Receipt of Technical Reports*
- *Resolve Claims and Disputes.* If any claims or disputes arise during the review of final forms, they are resolved
- *Receive Audit and Resolve Audit Questions.* If the audit identifies problems with claimed costs or questions costs, these matters are resolved with the contractor
- *Summary Settlement Statement Review and Concurrence.* The Summary Settlement Statement outlines direct and indirect costs, fees, and retainage. The CO checks this document for accuracy following return from the awardee, before approval of final payment.
- *Receive and Accept Contractor Release of Claims.* When the contractor's release of claims is received, it is reviewed and, if appropriate, accepted.
- *Approve Final Invoice for Payment.* Following receipt of a signed Completion Statement and the satisfaction of all other contract administration actions, notice of approval to pay the final invoice may be transmitted to the paying office.
- *Funding Adjustment.* If funds remain after payment of the final invoice, the balance is deobligated before retiring the award. Other funding adjustments might be necessary.
- *Prepare Closeout Individual Procurement Action Report.* Processing this form removes the action from the Procurement and Assistance Data System register of completed awards awaiting final closeout.
- *Notify Finance Contract Closed.* When the contract is closed, notify Finance and complete data-reporting requirements in the project-closeout report.
- *Confirm Final Payment.* Ensure that final payment has been made.

- *Completion Statement.* In accordance with FAR 4.804-5(b), a completion statement is approved by the CO and included with the file.

7.2.1 Types of Contracts

There are two major types of contracts that determine how a project will be closed as described in the following paragraphs. The principal difference between the two major types of contracts is the responsibility for contractual closeout. In the case of non-M&O/M&I prime contracts, DOE is responsible for all four project closure processes—physical, contractual, regulatory, and financial.

- *M&O/M&I.* A project managed by the major facilities management contractor through the use of subcontracts. Pursuant to the terms of the contract, the contractor is responsible for closing a project, both physically and financially, and at the subcontractor level. This includes responsibility for monitoring subcontract project performance. The government role in contract oversight is periodic audits of the M&O/M&I contract, but not at the project level.
- *Non-M&O/M&I.* A prime contract where the project and prime contractor coincide. In this case, DOE is responsible for physically, contractually, regulatory, and financially closing the project.

7.2.2 Contract References

The three principal references for contract closeout procedures are contained in the following documents:

- Section 4.804 of the “Federal Acquisition Regulation” as supplemented by Section 904.804, Department of Energy Acquisition Regulation.
- Chapter 4, “DOE Acquisition Guide.” Section 42.708, FAR provides “quick closeout” procedures and limitations on the use of such procedures.
- Section 52.216-217 FAR, “Allowable Cost and Payment,” contains instructions for contractors regarding the submission of annual indirect cost proposals and requirements for negotiating these.

7.3 Regulatory Closeout

A major component of closing environmental remediation or facility transition projects is demonstrating regulatory compliance with the Resource Conservation Recovery Act (RCRA) and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Failure to comply with regulatory requirements could result in litigation, thereby delaying closeout.

The regulatory process may vary depending on the type of project, applicable regulations, and the government agencies having jurisdiction. Figure 6 shows the generic steps for regulatory compliance and specifically on-site closeout process. Site closeout consists of certifying that environmental actions have met all requirements and no additional active management is needed, with the possible exception of long-term monitoring. It also provides for possible site turnover to other responsible agencies or private parties and transition to other uses. The following steps apply to Figure 6.

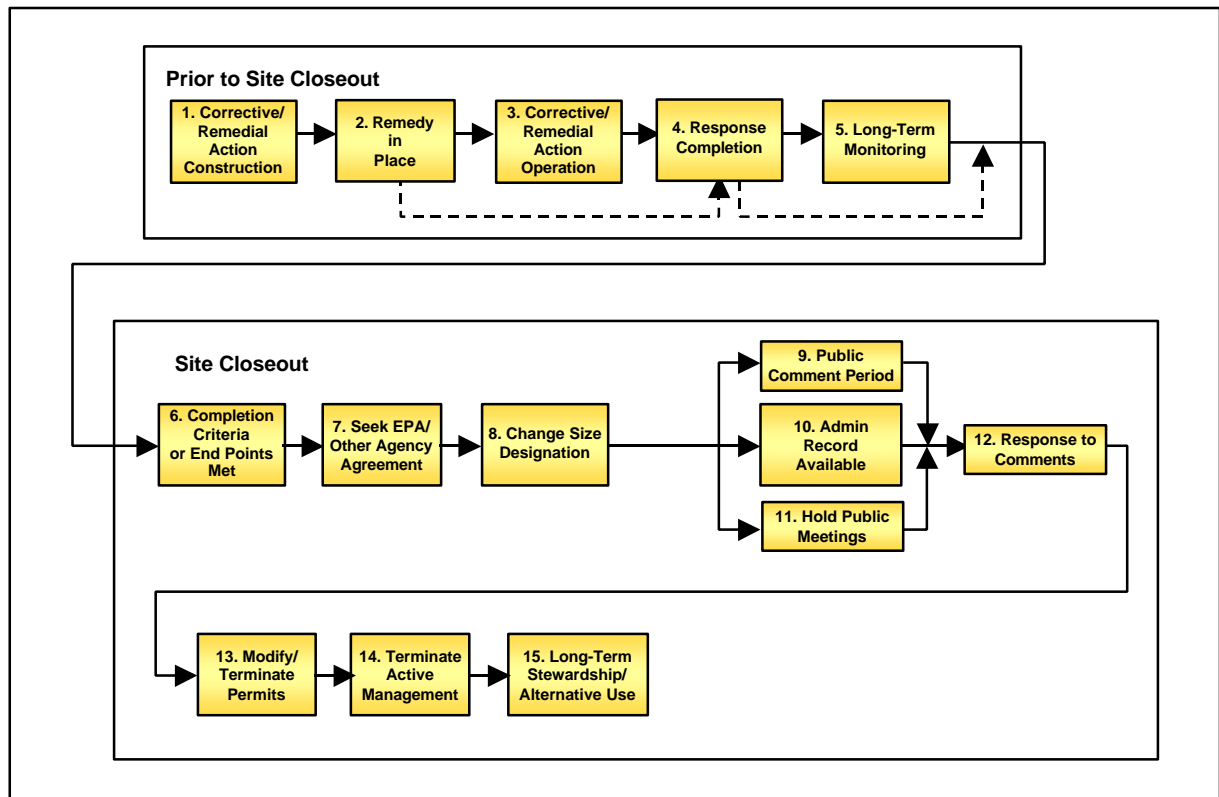


Figure 6. Regulatory Closeout Process

- *Corrective Action/Remedial Action Construction.* RCRA projects are corrective actions and CERCLA projects are remedial actions.
- *Remedy in Place.* Once construction and final inspections are completed, a certification of remedy completion is obtained. At this point, the Remedy-in-Place has been achieved. This marks the transition from building the equipment needed to carry out the remedy to operating that equipment to remediate the site.
- *Corrective/Remedial Action Operation.* Applying what was constructed to waste remediation to effect some combination of containment, treatment, and/or removal.

- *Response Completion.* Once the remediation phase is completed, the response is complete. At this point, a corrective-action completion report is submitted that demonstrates the corrective action criteria have been met, a closure plan has been submitted to the appropriate agencies, permits have been modified as needed, and equipment has been decontaminated and decommissioned.
- *Long-Term Monitoring.* This is necessary unless “clean-closure” is obtained. It consists of developing a plan and systems that can ensure closure was effective and continues to be effective over the required period of time. Under CERCLA, this may be referred to as operation and maintenance. At this point, the process of site closeout is initiated.
- *Completion Criteria or End Points Met.* Completion criteria or endpoints are developed early in the remediation process, in collaboration with the appropriate regulatory agency. Criteria refer to the standards for hazardous substance remediation. End points refer to the detailed specifications for the condition of spaces, systems, and equipment within a facility.
- *Seek EPA/Other Agency Agreement.* Regulatory agency concurrence that the completion criteria have been met may be necessary.
- *Change Site Designation.* Changing the site designation may consist of requesting deletion of the Solid Waste Management Unit from its permit, obtaining a certificate of completion, or documents from the appropriate agency indicating clean closure has been achieved.
- *Public Comment Period.* The re-designation process usually involves public meetings to provide information on what was accomplished and a public comment period.
- *Administrative Record Available.* Project records are gathered and made available in an information repository. An official administrative record of the project is compiled. The record represents the facts, and can be the basis of any legal action that may be taken with regard to the effectiveness of the cleanup action.
- *Hold Public Meetings.* Public meetings may be held if required.
- *Response to Comments.* After the public has had a chance to comment on the remedial action, responses to their comments are provided and/or additional corrective actions implemented.
- *Modify/Terminate Permits.* The site designation can be officially changed through the process of modifying or terminating relevant permits.
- *Terminate Active Management.* DOE can now terminate active management of the site.
- *Long-Term Stewardship or Alternative Use.* The property requires long-term stewardship if waste is left in place. If the property is clean, it is turned over for other uses.

7.4 Financial Closeout

Once the user organization has beneficially occupied a facility, the project organization may begin preparing for financial closeout (Figure 7). Although financial closeout and physical closeout can occur in parallel, financial closeout is finalized only after a successful physical closeout is complete. The timely closing of a project is of paramount interest both to Congress and the Department, each of which has an objective to identify unspent balances and deobligate them for use elsewhere as needed. As described in this Section, financial closeout follows two parallel paths that help meet this objective: adjusting the Department's construction and capital asset accounts, and preparing the project Final Cost Report.

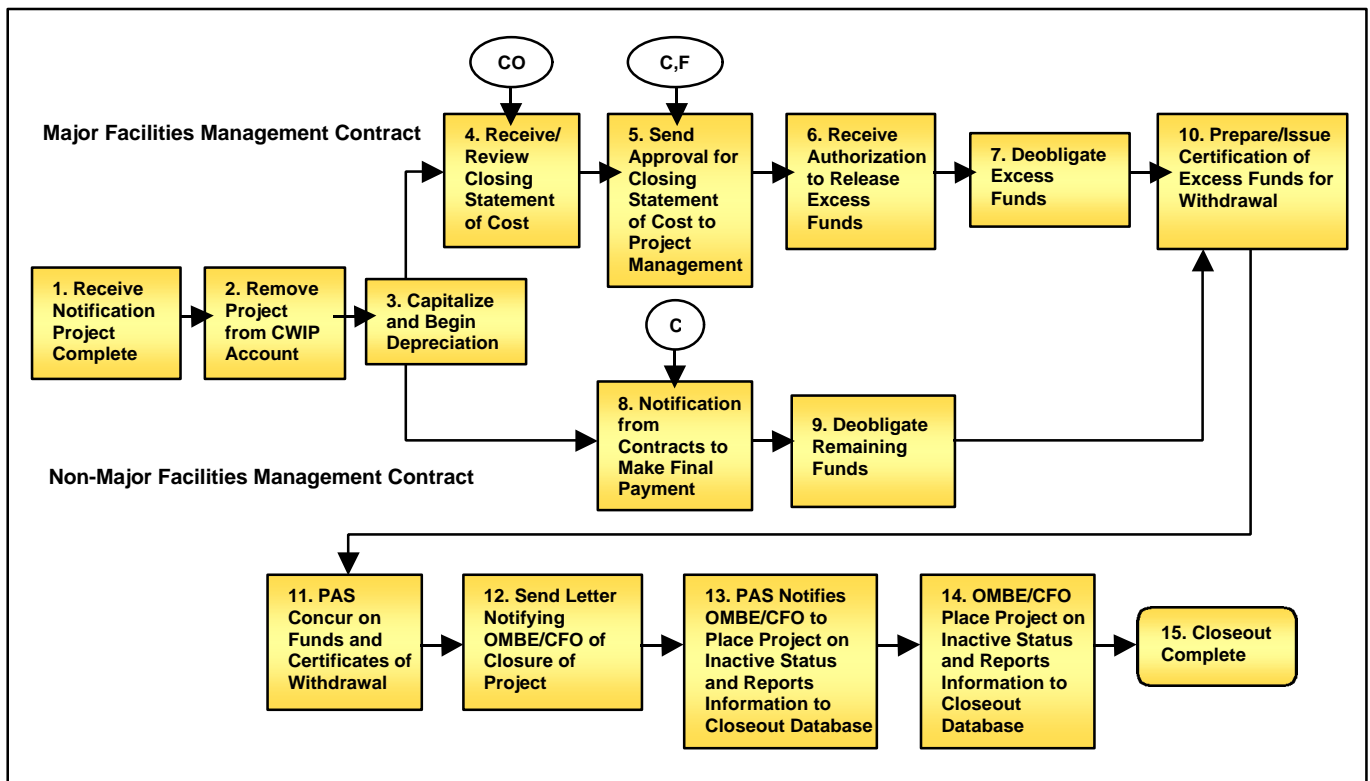


Figure 7. Financial Closeout Process

The steps involved in Figure 7 follow:

- *Critical Decision-4 Decision Statement.* Approval marks the beginning of project closeout.
- *Remove Project from Construction Work in Progress (CWIP) Account.* In parallel with Closing Statement of Cost activities, the project is removed from the Department's CWIP account and recorded in the appropriate completed property and capital-equipment account. Removing a project or portions of a project from the CWIP account, once occupancy or regulatory closeout has occurred, complies with guidance contained in Chapter 10 of the "DOE Accounting Handbook." Removing the project from the CWIP account also

facilitates financial closeout to support input to the annual Prior Year Construction Projects Report.

- *Capitalize and Begin Depreciation.* In some cases, project funds are capitalized so they can be depreciated.

7.4.1 Major Facilities Management Contracts

The prime contractor prepares the Closing Statement of Cost, which normally contains the following information:

- Project number, contract number, project name, budget and reporting classification
- Amount of original obligation and subsequent obligations or deobligations
- Cost summary organized in the same categories as the original project data sheet
- Capital investment from total project and the value of Plant and Capital Equipment adjustments

The Field Office Chief Financial Officer uses the contractor's Closing Statement of Cost for the following purposes:

- Adjust the Department's construction and capital asset accounts
- Determine whether any unspent balances remain
- Prepare the Final Closing Statement of Cost
- Deobligate remaining balances using the approved funding program
- Provide written notice of items above to Headquarters, Director of OMBE/CFO with a copy to the cognizant PSO

The Field Office Chief Financial Officer prepares the Final Closing Statement of Cost after the PD determines beneficial occupancy for construction projects or site monitoring for environmental projects. The contractor provides the Field Office Contracting Officer with the final invoice or Closing Statement of Cost.

For construction projects, all aspects of the work are not normally complete at the time of beneficial occupancy. Recognizing this, the PD/PM requires the construction contractor to estimate the costs associated with project completion. In this way, by estimating and partially accruing the residual project costs, rather than waiting until all costs have been incurred, the Field Office can expedite the process of deobligating project funds. Such estimated costs normally include the following:

- Open purchase orders awaiting residual equipment, initial spares, or final vendor and contractor invoicing
- Construction services necessary to complete any remaining punch list items

- Outstanding claims
- Administrative and management labor to support and process closeout activities:
 - *Send Closing Statement of Cost.* The PD/PM approves the contractor's Closing Statement of Cost and provides it to the Field Office Chief Financial Officer for approval. At the same time, the PD/PM authorizes the release of any excess project funds.
 - *Receive Authorization to Release Excess Funds.* Using the DOE financial accounting system, the Field Office Chief Financial Officer estimates accrued residual costs, project costs, and residual balances (differences between accruals and actual costs).
 - *Deobligate Excess Funds.* Based on the Final Closing Statement of Cost, the Field Office Chief Financial Officer determines the amount of residual funds and unclosed balances, and returns all unused project funds to the Headquarters Director of OMBE/CFO.

7.4.2 Non- Major Facilities Management Contracts

- *Notification to Issue Final Contract Payment.* The Field Office Contracting Officer notifies the Field Office Chief Financial Officer to issue the final payment to the contractor.
- *Deobligate Remaining Funds.* Same as Major Facilities Management Contract
- *Prepare Certification of Excess Funds.* The Field Office Chief Financial Officer deobligates any excess project funds and prepares a Certificate of Withdrawal of funds for the Headquarters, Chief Financial Officer, informing them of project closure with a copy to the cognizant PSO.
- *Closeout Certification Statement.* The AE notifies the Director of OMBE/CFO of project closeout
- *CFO Closes the Project.* The Director of OMBE/CFO reviews and approves the Certificate of Withdrawal and places the project on the inactive list in the database.

8.0 FINAL COST REPORT

The DOE uses the Final Cost Report (Figure 8) to determine if unspent balances remain. Remaining balances are deobligated through the approved funding program and reported to Headquarters, which ensures a source of funds, were the project to be reopened.

The PD/PM prepares the Final Cost Report for the project. Preparation of this report can begin once the user organization assumes beneficial occupancy. Normally, work on a project is not completed at beneficial occupancy, and the managing contractor should estimate the costs required to complete the project. Estimating and potentially accruing these residual costs,

rather than waiting until all costs have been realized, is necessary to expedite deobligation of funds. Remaining costs normally estimated include the following:

- Open purchase orders awaiting residual equipment, initial spares, or final vendor/contractor invoicing
- Construction services necessary to complete any remaining punch list items
- Outstanding claims

Administrative and management labor to support and process closeout activities

Example Final Cost Report, Page 1

UNITED STATES DEPARTMENT OF ENERGY ALBUQUERQUE OPERATIONS OFFICE				Sheet No. <u>1 of 3</u>	
FINAL COST REPORT					
For: <u>SANDIA NATIONAL LABORATORIES</u> Budget Project No. <u>39DP01000GPD101000000</u>					
Construction Contractor _____				Directives No. _____	
Architect – Engineer _____				Date Prepared: _____	

ALLOCABLE COSTS		SYMMARY OF PROJECT CHARGES		WORK BREAKDOWN STRUCTURE (WBS) SUMMARY	
Allocable Element	Dollar Value			WBS Element	Dollar Value
ED&I: Design Building Occupancy Improv'mts to Land Utilities Const Mgmt/Insp PROJECT MGMT: Project Mgmt Documentation		ASSET TYPE COSTS _____ GOVERNMENT FURNISHED MATERIAL _____ OTHER COSTS _____ ALLOCABLE COSTS _____ <div style="text-align: right;">TOTAL <u>\$0.00</u></div>		AUTHORIZED FUNDS _____ WBS COSTS: ED&I Construction Equipment Management Contingency TOTAL COSTS <u>0.00</u> BALANCE <u>\$0.00</u>	

Figure 8. Example Final Cost Report, Page 1

Example Final Cost Report, Page 2

UNITED STATES DEPARTMENT OF ENERGY ALBUQUERQUE OPERATIONS OFFICE								Sheet No. <u>2 of 3</u>
FINAL COST REPORT For: <u>SANDIA NATIONAL LABORATORIES</u> Budget Project No. <u>39DP01000GPD101000000</u>								
1	2	3	4	5	6	7	8	9
Asset Type Number	Description of Asset Types	Quantity	Unit	Asset Type Costs	GFM	Other Costs	Allocable Costs	Total
	INTERIOR							
	<u>Building & Structures</u>							
501	Owned Buildings							\$0.00
550	Other Structures							\$0.00
	<u>Equipment</u>							
710	Heavy Mobile Equipment							\$0.00
715	Hospital & Medical Equip							\$0.00
720	Laboratory Equipment							\$0.00
725	Motor Vehicles & Aircraft							\$0.00
730	Office Furniture and Equip							\$0.00
735	Process Equip Personal Prop							\$0.00
740	Railroad Rolling Stock							\$0.00
745	Reactor/Accelerators (Personal)							\$0.00
750	Security & Protection Equip							\$0.00
755	Shop Equipment							\$0.00
770	ADP Equipment							\$0.00
775	ADP Software							\$0.00
780	Portable Communication							\$0.00
	Electronic Equip							
799	Miscellaneous Equip							\$0.00
803	Improvement to Property of Others – Equipment							\$0.00

Figure 8 Example Final Cost Report, Page 2

Example Final Cost Report, Page 3

UNITED STATES DEPARTMENT OF ENERGY ALBUQUERQUE OPERATIONS OFFICE								Sheet No. <u>3 of 3</u>
FINAL COST REPORT For: <u>SANDIA NATIONAL LABORATORIES</u> Budget Project No. <u>39DP01000GPD101000000</u>								
1	2	3	4	5	6	7	8	9
Asset Type Number	Description of Asset Types	Quantity	Unit	Asset Type Costs	GFM	Other Costs	Allocable Costs	Total
EXTERIOR								
	<u>Utility Systems</u>							
610	Communications Sytems							\$0.00
615	Electric Generating Trans & Dist Systems							\$0.00
620	Fire Alarm Systems							\$0.00
625	Gas Production, Trans & Dist. Systems							\$0.00
630	Irrigation Systems							\$0.00
635	Railroad Systems							\$0.00
640	Sewage Systems							\$0.00
645	Steam Generation & Dis Systems							\$0.00
650	Water Supply, Pump & Dist System							\$0.00
670	Process Equipment							\$0.00
	<u>Improvements to Land:</u>							
401	Land							\$0.00
410	Land Rights							\$0.00
430	Minerals							\$0.00
460	Site Prep., Grading & Landscaping							\$0.00
470	Roads, Walks, and Paved Areas							\$0.00
480	Fences and Guard Towers							\$0.00
490	Other Improvements to Land							\$0.00
	<u>Other Asset Types</u>							
800	Improvements to Property of Others							\$0.00
900	Unclassified Plant & Equipment							\$0.00
999	Other							\$0.00
+	Total			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Figure 8. Example Final Cost Report, Page 3

Typically, the Final Cost Report contains the following information:

- Project number, title, and budget and reporting classification.
- Amount of original deobligation and subsequent obligations or deobligations.
- Cost summary organized in the same categories as the original Project Data Sheet.
- Capital investment for the project and the value of Plant and Capital Equipment adjustments.

Once the Final Cost Report has been prepared, estimated residual costs can be accrued in the site accounting system. Accruing the estimated residual project costs will facilitate an uncosted obligations balance of zero for the Prior Year Construction Projects Report (mandated by the House of Representatives in the Energy and Water Development Appropriations Bill of 1995.) Reserve accounts can be established within the site accounting system to collect estimated project costs, and residual balances (differences between accruals and actuals) can be liquidated in accordance with established site accounting practices.

In parallel with Final Cost Report activities, the project can be removed from the Department's CWIP account and placed in the appropriate capital assets account. Removing a project or portions of a project from the CWIP account, once beneficial occupancy has occurred, complies with DOE Order 534.1, ACCOUNTING. Removing the project from the CWIP account also facilitates financial closeout to support input to the annual Prior Year Construction Projects Report. The project can be considered financially closed once it has been removed from the CWIP account and the project's unobligated balance equals zero.

9.0 REPORTING REQUIREMENTS

9.1 Project Closeout Report

Beginning with Critical Decision-4 approval, the Closeout Manager submits a quarterly "Project Closeout Report" to the Field Office CFO as described in Section 4.2 using the form shown in Table 1. For purposes of this section, Table 4 provides the responsible party, source of data, and an explanation of the data for Table 1.

Table 4. Project Closeout Report Information

Data	Responsible Party	Source of Data	Explanation
Program Office	Requesting Organization	Mission Need	The owning organization responsible for funding and execution.
Project Number	Requesting Organization	Program Office assigns numbers from a grouping from OMB	Assigned to projects during first data-sheet submission by Program Office
Field Office	Requesting Organization	Project Data Sheet	Field Office where funding is allocated
Project Title	Requesting Organization	Field Budget submission	Once submitted to Congress, it should never change.
Project Start Date	Acquisition Executive or PD	Actual start of project activity	Date of First Project Appropriation
Federal Project Manager	Acquisition Executive or PD	Project documents	Title, Name, Email, and Phone Number
Closeout Start	Acquisition Executive or PD	Project documents	Date project begins closeout preparation activities
Project Physically Closed	Acquisition Executive or Federal Project Manager	Signature date of Final Cost Report	Date project is physically closed. (No further project funds expended) If physical closeout is not completed, then provide an estimate of the completion date.
CD-4 Submitted	Acquisition Executive or Federal Project Manager	Signature date of Federal Project Manager on CD-4 decision statement	Date PD submits the CD-4 decision statement to the AE
CD-4 Approved	Acquisition Executive or PD	Signature date of CD-4 Approval	Actual date that Field and HQ signed off on CD-4 (A) or forecasted (F) date if not complete.
Remarks	Acquisition Executive or Federal Project Manager	PD or project documents	Provide remarks pertinent to progress or lack of progress on physical closeout. Remarks include any corrective actions taken to complete physical closeout requirements.
Closeout Manager	Acquisition Executive or PD	CD-4 Decision Package	Title, Name, Email, and Phone Number
Contract/Subcontract Number	Closeout Manager	Local Finance Office or Local MARS/DISCAS System	May be more than one contract number. Contract number for organization performing the work and master contract number for Major Facilities Management projects.
Project Contractually Closed	Closeout Manager	Closeout date from IPAR	Provide the date the project is contractually closed. If the contract is not closed, provide the estimated date.
DCAA Audit Completed	Closeout Manager	Field Office Contracting Officer	If a DCAA Audit was required, the completion date is entered. If an audit is not required, indicate "NR" If a DCAA audit is required but not completed, provide an estimated date of completion.
Remarks	Closeout Manager	Field Office Contracting Officer	Provide remarks pertinent to progress or lack of progress towards closing out the project and information that explains the need for current funds allotted but unused.
Project Financially Complete	Closeout Manager	Signature date of letter notifying CFO of closeout of project	Indicate date of financial closure at field or "no" if the project not closed.

Data	Responsible Party	Source of Data	Explanation
	HQ Program Office	Date the project is closed from IPARS	Indicate the date the project is closed from IPARS or 'no' if the project not closed.
	OMBE/CFO Office	Date project records purged from active systems	Indicate the date when the project was placed on the inactive list or "no" if the project not closed.
Current Year Costs	Closeout Manager	MARS	Indicate current year costs or zero if there has been no financial activity.
Total Estimated Cost (TEC)	Closeout Manager	Project Documents	Original approved TEC of the project as defined in DOE Order 413.3. Available in MARS.
Total Project Cost (TPC)	Closeout Manager	Project Documents	A summary estimate as defined in DOE Order 413.3 that includes the TEC as well as development, startup, and commissioning costs. Available in MARS.
Total Obligation	Closeout Manager	MARS	Cumulative total of obligated funds for the project when Closing Statement of Cost was submitted.
Ending Uncosted	Closeout Manager	MARS	Ending balance obligated to the contract minus costs that have incurred when Closing Statement of Cost was submitted
Total Costs Incurred	Closeout Manager	MARS	Total obligation minus ending uncosted total costs incurred when Closing Statement of Cost was submitted.
Ending Unobligated	Closeout Manager	MARS	Ending unobligated balances when Closing Statement of Cost was submitted.
Status	MARS	MARS	Indicates the status of the financial closeout process: A - Active, I - Inactive, U - Unknown.
Remarks	Closeout Manager	Verbal or project documents	Remarks indicate where in the financial-closeout process the project is, if it is not closed. Remarks indicate progress or lack of progress and reason for lack of progress towards financial closeout and any corrective actions required to attain closeout.
Closure Certification Statement Approval	Closeout Manager	Last signature date on closure certification statement	Date that highest approval authority approves the closure certification statement, or "no" if final approvals have not been obtained.
Inactive Status	CFO	Active Project List	Date project is removed from active list, or "no" if project is still on the active list

9.2 Responsibilities

The responsibilities for project closeout are defined in DOE Order 413.3. Table 5 identifies these responsibilities. See Section 5 for the integrated project closeout process.

Table 5. Responsibilities for Project Closeout

Secretary's Office	PSO	HQ CFO
<ul style="list-style-type: none"> Approve the CD-4 Data Package 	<ul style="list-style-type: none"> PSO notifies OMBE/CFO's office that the project is closed PSO concurs on funds for certification of withdrawal Send letter notifying OMBE/CFO of closure of project PSO notifies OMBE/CFO to place project on inactive list 	<ul style="list-style-type: none"> OMBE/CFO indicates in closeout database that project is closed OMBE/CFO places project on inactive list
DOE Field Office Project Manager	DOE Field Office Procurement	DOE Field Office Finance and Budget
<ul style="list-style-type: none"> Notify CO to begin contract closeout Resolve remaining punch list items Turn over list of claims and disputes to PM Complete Lessons learned report Validate regulatory requirements have been met 	<ul style="list-style-type: none"> Certify work complete in accordance with contract Review and sign security clearances form, if non Major Facilities Management Contract Review all contractor releases Review contract file and develop contract-closeout checklist Review funds status Send contractor-closeout letter Receive and review forms with contractor Notify DCAA Coordinate review of final forms Coordinate security clearances Coordinate property certificate Confirm completion of security, property, and patent reviews Resolve claims and disputes Resolve audit issues Complete summary settlement statement Receive and accept release of claims Approve final invoice and notify finance to make final payment Deobligate remaining funds Confirm final payment with finance Receive contractor completion statement Complete final database closeout (IPAR) Notify Finance contract closed 	<ul style="list-style-type: none"> Receive Notification that the Project is Complete Remove project from CWIP account Capitalize and begin depreciation <p>Major Facilities Management Contract</p> <ul style="list-style-type: none"> Receive/review final invoice or closing statement of cost Send closing statement of cost to PM for approval Receive authorization to release excess funds Deobligate excess funds <p>Non-Major Facilities Management Contract</p> <ul style="list-style-type: none"> Receive notification from contracts to make final payment Deobligate remaining funds <p>Both</p> <p>Prepare/issue certification of excess funds for withdrawal</p>
	Contractor Procurement	Contractor Finance and Budget
<ul style="list-style-type: none"> Correct deficiencies Submit lessons learned Submit claims and disputes 	<ul style="list-style-type: none"> Closeout subcontracts Receive closeout letter and initiate closeout process Receive Government property/classified document, and security clearances Receive IP/patent/royalty clearances Obtain release from claims and disputes Prepare final invoice or cost-completion statement Support DCAA audit 	<ul style="list-style-type: none"> Establish closeout accruals and cost accounts Release excess funds Close project costs out of CWIP

9.2.1 The Contractor's Role in Project Closeout

Figure 6 illustrates the contractor's process for closing contracts and shows the relationships among the physical, contractual, and financial closeout processes (Figures 4 through 7). The contractor indicates closeout by submitting deliverables, final invoices, and any unresolved claims and disputes that require resolution. Subcontractors support the prime contractor in these efforts by delivering all required materials, supplies, and invoices and submitting any claims, if necessary.

9.2.2 Completion of Contract Closeout

The steps involved in completing the contractor's closeout include the following:

- *Closeout Subcontracts.* The contractor closes out subcontracts on an ongoing basis for specific subcontractors as they complete delivery of everything contracted for, and submits documentation including the final invoice. All subcontractor intellectual property patent/royalty clearances need to be finalized, and subcontractor claims and disputes need to be negotiated and resolved. Once resolved and the subcontractor has executed a release statement, the fees can be determined, and final payments made.
- *Correct Deficiencies.* Deficiencies are corrected as identified initially before physical closeout and continue to be corrected in support of the resolution of punch list items.
- *Receive Closeout Letter and Initiate Closeout Process.* Once the work is certified as complete in accordance with the contract, the contractor receives a contract closeout letter from the DOE. This initiates the closeout process for the contractor.
- *Government Property/Classified Document Disposition and Security Clearances.* The closeout letter directs the contractor to fill out a variety of forms, depending on the type of contract. The contractor submits a listing of any government property acquired through the contract and recommends disposition. After disposition, a property certificate is completed and returned to the CO. All classified documents and materials are destroyed or returned to DOE, and DOE security clearances acquired under the contract are terminated unless needed for work under another active contract. A certification form is completed, listing the names of individuals whose clearances should be terminated and/or the active contract number for those who need to retain a clearance.
- *Establish Closeout Accruals and Control Accounts.* Upon receiving the closeout letter, the contractor closes existing control accounts and establishes closeout accruals and new control accounts to ensure accountability and control of funds.
- *Intellectual Property/Patent Royalty Clearances.* The closeout letter directs the contractor to include a patent/royalty certification that discloses any inventions or discoveries, or certifies that none were made. This form should be completed by those familiar with the technical work performed and have evaluated that work for invention-reporting purposes.

- *Submit Claims and Disputes.* Contractors should attempt to resolve contractual issues by mutual agreement at the CO's level before submitting a claim. Contractors and DOE are encouraged to use Alternative Dispute Resolution procedures, such as mediation and arbitration, to the maximum extent practical. Failing this, the contractor should submit any claim in writing. If the claim exceeds \$100,000, then contractors provide certification that the claim is made in good faith, that the supporting data are accurate and complete, and that the amount requested accurately reflects the contract adjustment for which the contractor believes the Government is liable.
- *Release from Claims/Disputes.* Once claims and disputes are resolved, the contractor needs to submit a form releasing the government from claims and disputes.
- *Prepare Final Invoice or Cost-Closing Statement.* After the claims and disputes are resolved, the contractor should prepare a final invoice or cost-closing statement.
- *Release Excess Funds.* The contractor releases all excess funds and returns them to the Government.
- *Support DCAA Audit.* The contractor supports the DCAA Audit.
- *Close Project Out of CWIP.* Once the audit is complete, the project is removed from the Department's CWIP account and placed in the appropriate capital-assets account.
- *Lessons Learned.* The contractor submits lessons learned to the PD.

9.3 Performance Goals and Measures

Figure 9 shows the nine-step top-level logic for tracking progress in project closeout. Table 6 contains the corresponding specific performance goals and objectives as Figure 9. While the time to close a project will vary depending on the nature of the work and type of contract, the process (beginning with Critical Decision-4 approval) for returning any unused project funds to the Director of OMBE/CFO occurs within 36 months, or within 30 days from the date of contract closure, whichever date is sooner. The closure process is to be consistent with contract closure timeframe requirements contained in Federal Acquisition Regulations (see Section 4.1, Critical Decision-4 Decision Statement). And, within 60 days of a determination by the PD to recommend Critical Decision-4 approval, the AE receives the Critical Decision-4 decision memorandum (see Section 6).

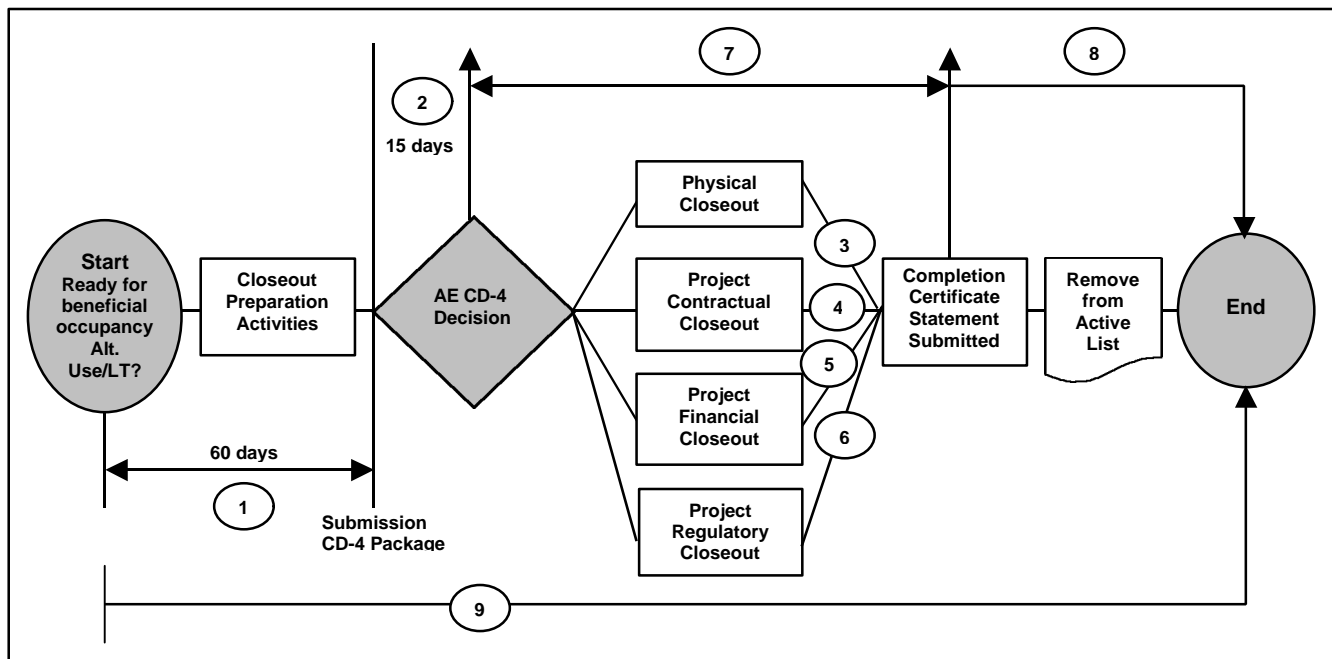


Figure 9. Performance Measures Level-0 Logic

Table 6. Closeout Performance Objectives and Measures

Objective	Measure #	Beginning Point	Ending Point
Reduce time to complete closeout preparation activities and submit Critical Decision-4 Decision Statement	1	Project ready for beneficial occupancy, long-term stewardship, or alternative use	Critical Decision-4 decision package submitted to the AE
Reduce time to review and approve Critical Decision-4	2	Critical Decision-4 decision package submitted to AE	AE approval of Critical Decision-4
Reduce time to complete physical closeout activities	3	AE approval of Critical Decision-4	Physical activities complete
Reduce time to complete contractual closeout activities	4	AE approval of Critical Decision-4	Contractual activities complete
Reduce time to complete financial closeout activities	5	AE approval of Critical Decision-4	Financial activities complete
Reduce time to complete regulatory closeout requirements	6	AE approval of Critical Decision-4	Regulatory activities complete
Reduce time to complete all closeout activities	7	AE approval of Critical Decision-4	All closeout activities completed by the project team
Reduce time to remove project from active list	8	Submission of the Certificate of Completion statement by the PD to the AE	Date the CFO removes the project from the active list
Reduce total project closeout time	9	Project ready for beneficial occupancy, long-term stewardship, or alternative use	Date the CFO removes the project from the active list

Three other performance measures are recommended that are not tied to the time to complete closeout actions. These are shown in Table 7.

Table 7. Additional Closeout Objectives and Measures

Objectives	Measures
Reduce the number of projects in the closeout phase	Number of projects in the closeout phase
Improve project accountability	Percent of projects in closeout phase with Federal Closeout Manager designated
Improve future project performance	Percent of projects that submit lessons learned

10.0 OPERATIONS AND MAINTENANCE TRAINING

Operations and maintenance training is provided to the user's operations and maintenance staff for all of the larger and more complex equipment and systems as part of the closeout process. The user organization, with the support of the project organization, and input from engineering and the user's maintenance staff, issues a list of all equipment and systems requiring training. Training details may include, but are not limited to, the following:

- A training plan is developed by the commissioning authority. This may be done by the contractor's test engineer and reviewed/approved by the commissioning authority.
- Training is done in a classroom setting with field training as required.
- The training may be professionally videotaped for the future use of existing and new maintenance personnel.
- A preset number of indexed video copies may be submitted as part of the closeout package.
- All training materials should be ready and available to the participants prior to turnover.
- A training schedule is developed and approved.

Operations and maintenance manuals (preferably indexed, tabbed, and bound) are submitted at training or with the closeout package. All warranty information, spare parts lists, and other information are to be included with the O&M manuals.

11.0 DEMOBILIZATION

Project demobilization (reducing project staff) can be one of the most significant events in a project's life cycle because of the potential impact on project personnel. This can be especially true in the case of a Major System project, whose lifetime can exceed 10 years. Issues involved in the demobilization of a project that need to be addressed by the PD/PM (and the IPT) include the breakup of the project team and the resultant loss of project identity; the need to

identify unnecessary project staff; the reassignment of project staff; and the need for reassigned staff to reestablish themselves in a new work environment.

The PD/PM should recognize the significance of the demobilization effort, and should plan and prepare for this event well in advance. The PD/PM should also keep project personnel fully informed and involved in the demobilization process to help develop a feeling of involvement, ownership and acceptance. If possible, early interface with other organizations should be established to identify new positions for reassigned project staff, and avoid the feeling that management is neither involved nor cares about the project staff. Efforts should include sufficient long-range planning to avoid the impression that the project staff is not being given the opportunity to obtain “equivalent” positions, but rather is simply being allowed to obtain those positions available at the time of project demobilization.

To avoid ill feelings among the project staff, the PD/PM and other organizational managers need to personally involve themselves in the reassignment of project personnel. Unfortunately, this effort can result in the release and reassignment of qualified project personnel prior to the time planned by the PD/PM because of the availability of suitable positions. A wise PD/PM works toward accommodating these situations, even though they may negatively impact the project due to the early release of key project personnel. However, the long-term positive impacts on the overall organization far outweigh the short-term negative impacts on the project.

To smooth the project demobilization process, the PD/PM may (on a tailored basis) consider the following actions:

- Prepare and issue a closeout plan including an evaluation of project resource requirements as a function of the closeout work scope. Once drafted, this plan should be shared with and reviewed by the IPT and other project management personnel to: (a) avoid the perception that impacted personnel are not being kept informed of future project plans; (b) avert the propensity for project personnel to initiate their own job search; (c) obtain a wider input into demobilization planning; and (d) provide a documented basis for demobilization planning and implementation.
- Schedule and hold meetings with project personnel on a regular basis as the demobilization effort progresses. The purpose of these meetings is to involve and inform, and to obtain input for future planning. These meetings can also serve as a support mechanism and morale booster for remaining project personnel.
- Prepare and issue a resource-loaded schedule that identifies each task remaining, and for each task, the person responsible, a completion date, a cost estimate, measurable milestones, and progress against commitments. The schedule should be maintained current and should also be available to all project personnel.

- Assure the demobilization tasks include those not necessarily related to physical activities. For example, other items that could be considered for inclusion are: maintenance of appropriate project records; disposition of project records and files; preparation of the final cost and project closeout reports; preparation of monthly status reports; and presentation of status meetings. The purpose of such extensive planning and performance is to ensure that all project activities are identified and performed, and not left to either the user organization or an uninvolved third party.
- Consider regular briefings/meetings with management, stakeholders, and the media to develop and maintain an information flow. Such meetings also provide an opportunity for the remaining staff to feel they are contributing to a meaningful effort.
- Interface and work closely with other organizations, functional and line managers, and human resources to identify personnel capabilities and needs; assist team members in scheduling interviews; support team members in locating new positions within (and perhaps outside of) the organization; and participate in matching need, capability, and availability. The objective is to maintain, as much as possible, the “team” feeling that existed during the lifetime of the project.
- Acknowledge and recognize the contributions of all project participants. Depending upon circumstances, recognition might include financial incentives for successfully completing the project.

12.0 EARLY PROJECT TERMINATION

For the purpose of this document, project termination is defined as projects or portions of projects that, at the direction of the DOE, are terminated prior to completion. Projects can be terminated for many reasons, and the size or stage of completion can impact the amount of time and resources required to effect a termination. However, the termination process closely follows the processes for project closeout discussed in this Practice. Since the premature termination of a project is generally not anticipated, termination planning and execution usually occur in a relatively short time.

Once the Department decides to terminate a project, the contractor is issued formal direction to take specific actions. Depending on the size and complexity of the project, the Department’s formal direction can range from a change action that reduces the scope of a stand-alone project, to a partial or complete contract termination. Regardless of the reasons for project termination and the actions necessary to effect the termination, the objectives to achieve a timely and cost effective project/contract closeout remain the same. Depending upon the project’s size, complexity, and stage of completion, termination can be a lengthy, costly process involving a large organization, because of the effort involved.

On receipt of notice to terminate, the contractor should be directed to develop a shutdown plan (which could include a new PEP) if the size and complexity of the project warrant. All effort is

to be within the parameters of the contract(s) terminated. Project termination should consider the following issues:

- The scope of work during project termination undergoes a significant change with different end objectives. In some situations, depending on need and health, safety and environmental considerations, DOE can elect to complete certain portions of a project as part of the termination effort. Other work might be completely halted. Regardless of the course taken by each project to meet termination requirements, the work scope required to terminate the project should be determined and documented.
- The work scope is best developed task-by-task, with end results and deliverables defined for each task. Defining the work by task facilitates overall management of the effort. Also, in general, the more tasks (work packages) that can be defined, the better organized and manageable the termination effort becomes.
- Each task identified for project termination should be assigned to a responsible individual or organization for completion, and for meeting milestones end objectives, and deliverables within established cost and schedule parameters.
- Termination costs and resource requirements should be estimated for each termination task. Once resource requirements have been determined, excess personnel can be identified and reassigned.
- A termination schedule should be developed for each identified task, consistent with the resources available. Each task schedule should be resource-loaded, and include frequent measurable milestones.
- For large projects and termination activities expected to continue for multiple accounting cycles, progress reports from the managing contractor are generally required as one of the termination tasks. When termination efforts involve significant amounts of work, managing the termination is analogous to managing the Execution phase of a project. Thus, if practicable, the existing project management should remain intact, at least until initial planning and organizing are completed. The PD/PM should monitor and report progress toward completion of established objectives.
- The project termination steps discussed above are suggested to assign responsibilities and establish a scope, cost, and schedule basis for performing termination activities. From the planning effort, several parallel paths can be pursued, depending on the size of the project, completion stages, and any specialized instructions that might be contained in the termination notice. These paths are discussed below.
- Project Capitalization. The project should capitalize equipment/systems as appropriate, as soon as practicable after a termination decision. Items, operable units, or systems that meet DOE capitalization criteria should be removed from the CWIP account and capitalized in the P&CE account.

- **Decisions.** Decisions are simplified when construction has not started; purchase orders or contracts may be dispositioned without incurring an outlay for construction activities, and restoration versus completion decisions can be avoided. However, decisions must be reached case-by-case for terminating construction that has reached a partial completion stage. For example, if the decision is made to complete construction or some part of construction for safety or economic reasons, capitalization should occur as soon as the work has been accepted.
- **Financial Closure.** Project termination work scope is likely to be different for each project. In some cases, due to project complexity and the time required to shut a project down, financial closure might not occur as quickly as it would in a normal completion closeout. Judgment must be used to determine if the path described in Section 7.4 and shown in Figure 1 is appropriate. Although the goal is to estimate residual costs, accrue these costs, and deobligate the unobligated balance, extended shutdown periods might not make this path immediately possible. Whenever feasible, however, early financial closure is preferred.

Other Termination Activities. These activities are similar to those described in Section 7.1, Physical Closeout. Prior to beginning the activities necessary for termination, existing control accounts should be closed and new accounts opened to accommodate the work described in the termination plan and to capture the termination costs separately from previous project costs. Termination activities consist primarily of the following:

- Excess material or equipment is identified and dispositioned in accordance with DOE property disposition regulations. DOE personal property items are included in this process. Dispositioning excess material or equipment may entail adjustments to capital equipment accounts.
- Project documentation is dispositioned in accordance with requirements of the contract and project termination plan. When the size of a project does not warrant a formal plan, documentation is dispositioned in accordance with existing plant or site directives. Project documentation will normally include, but not be limited to, all documents under configuration control, such as design documentation, formal correspondence, and financial and procurement data. Archiving requirements exist for certain types of projects, and any such requirements are determined and followed.
- Subcontract/purchase orders are closed as quickly as practicable. Final cost estimates should reflect the likelihood that the number and size of claims could exceed those experienced during a normal project closeout.
- Retention of project personnel based on the expertise required to implement the project termination plan. Contractors that cannot be readily closed out because of essential personnel should be downsized as quickly as possible.

- As-built documents should be completed. This is important for two reasons: (1) future use of one or more of the partially completed facilities; and (2) identification of interfaces with future actions/activities at that location.
- Because of the uniqueness of a project termination effort, a separate lessons learned report should be prepared for project termination activities.

Project termination is considered complete when all required termination and closeout activities are complete. The activities discussed in this section are illustrated in Figure 10. This flow of termination activities can and should be adjusted to suit the particular needs associated with a project termination, the specific contract(s) terminated, and the procedures established at each DOE site.

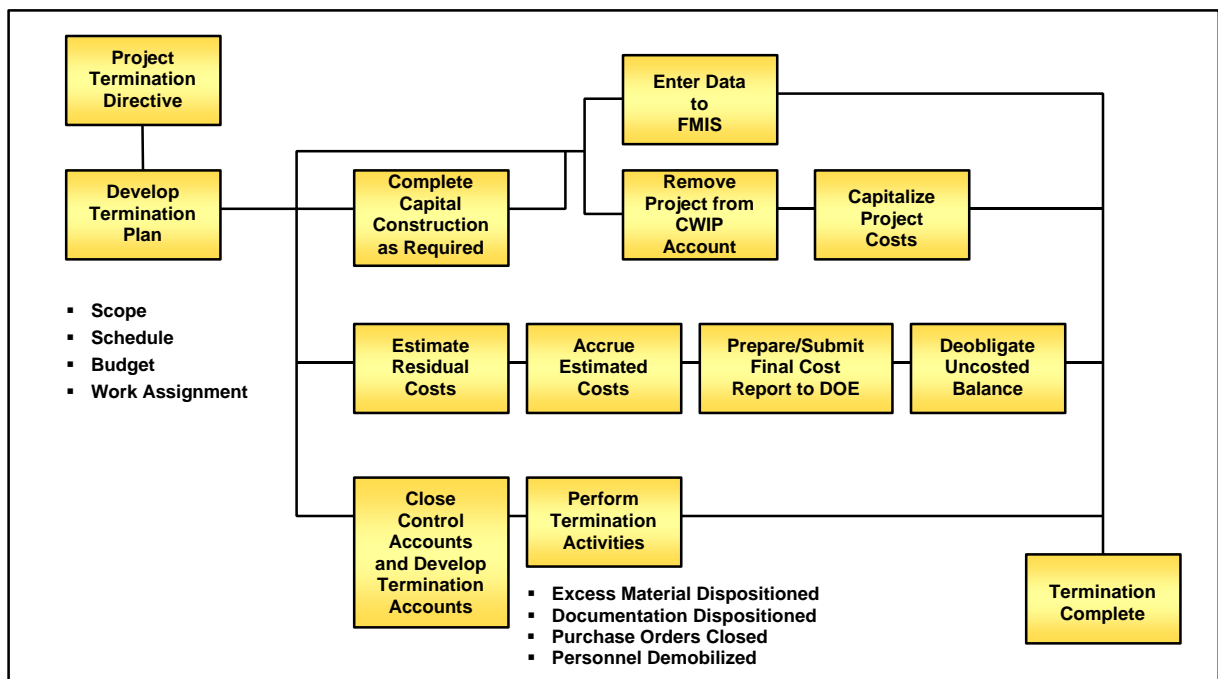


Figure 10. Termination Logic Flow

13.0 PROJECT CHECKLIST

To assist in planning, organizing, and implementing a project closeout, a generic checklist has been prepared (Table 8):

Table 8. Project Scope/Completion Checklist

This checklist is provided for information and use as desired. It is not intended to imply requirements or mandatory actions.

Checklist Questions	Yes	No	Comments
1. Project physically complete (procurement, installation, construction) as defined in the project design criteria, PEP, approved project design documents, approved engineering change requests and approved field change requests?			
2. Project deliverables meet project design requirements as defined in the project design criteria, PEP, and approved engineering change requests?			
3. Acceptance testing complete, results validate project mission has been met?			
4. Complete, accurate, current, and verified current equipment, instrument, lines, vessels, valves, drawings and specifications lists?			
5. Construction progress photos, videos and files complete, current, and orderly?			
6. Operating and maintenance manuals and procedures complete?			
7. All NDE records for both on- and off-site activities available?			
8. Operator and maintenance training complete and certifications/licenses obtained and documented training material available to user?			
9. ORR/RA complete, all actions closed, and process fully documented?			
10. Recommended spare parts to support one year of operation received, identified, and properly stored?			
11. A complete set of approved vendor data identified and organized?			
12. Recommended special tools, lifting and handling devices, and special lubricants identified and on-hand?			
13. Preventative maintenance procedures for applicable equipment prepared, and records of these activities performed prior to turnover available?			
14. All equipment, vessels, instruments, lines, conduit, etc., tagged, labeled, and provided with required signage?			
15. Sufficient pre-filters and HEPA filters to replace all process HVAC and off-gas filters prior to cold startup?			
16. Necessary chemicals to support one year of operation available and properly identified and stored?			
17. Project personnel available and adequately trained to support cold operation and hot startup?			
18. A complete set of as-built drawings and specifications that reflect the completed project available?			
19. All punch list items completed and closed?			
20. Project lessons learned report issued?			
21. All facility signage (internal and external) completed and installed?			

Checklist Questions	Yes	No	Comments
22. All necessary facility emergency alarms and equipment in place?			
a. Medical?			
b. Radiological?			
c. Criticality?			
23. All facility furniture and fixtures in place?			
24. At project turnover a complete, organized set of project documentation available:			
a. Engineering change requests?			
b. Field change requests?			
c. Meeting minutes?			
d. Telephone conversations?			
e. Material certifications, lab test reports?			
f. Audit reports?			
g. Design review comments and comment resolutions?			
h. Source inspection reports?			
i. Receiving inspection reports?			
j. Research, laboratory, and pilot plant test and run reports and results?			
k. Nonconformance reports?			
l. Critical decision(s) documentation?			
m. Monthly project status reports?			
n. Change board(s) minutes and records of decisions?			
o. RAM analysis?			
p. Safety documentation (e.g., FSAR)?			
q. Trade studies, engineering studies?			
r. VM studies?			
s. Equipment test/run-in reports?			
t. Closeout report?			
u. Final Cost Report?			
v. Independent Review Reports?			
w. SSE acceptance and spacing test reports			
25. Baseline change control documents complete and available?			